



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1307 (1962)

December 12, 1985

SUBJECT: Release of Proceeds from the Sale of Security for  
Family Living and Operating Expenses During Period  
of Processing Farmer Program Servicing Options  
Requested by Borrowers in Default

TO: All FmHA State Directors, District Directors  
and County Supervisors

Purpose/Intended Outcome:

The purpose of this AN is to provide guidance to field offices and provide consistency nationwide on the release of proceeds from the sale of FmHA chattel security for family living and farm operating expenses for those borrowers in default on their FmHA Farmer Program loans. The outcome of the amended servicing regulations will be a consistent policy for releasing income from the sale of security property when such income is needed for family living and/or farm operating purposes.

Comparison with Provisions AN:

No previous AN has been issued on this subject.

Implementation Responsibilities:

In order to comply with paragraph 1962.17(b) of FmHA Instruction 1962-A, a Form FmHA 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security," must be completed as soon as possible for all borrowers with loans secured by chattels. If a borrower has a current Farm and Home Plan, a Form FmHA 1962-1 must be completed to cover the time between today and the date the Farm and Home Plan expires. Planned sales shown on the Form FmHA 1962-1 must be consistent with planned sales shown on the Farm and Home Plan.

FmHA must continue to release sales proceeds in accordance with a completed Form FmHA 1962-1 until a borrower's account is accelerated. After an account is accelerated, no releases will be made under any circumstances.

If the Form FmHA 1962-1 expires after Form FmHA 1924-25, "Notice of Intent to Take Adverse Action," is sent but before acceleration, a new Form FmHA 1962-1 must be completed. In such cases, the County Supervisor should decide what expenses are necessary to meet immediate needs for family living and maintenance of the farming operation, and

Expiration Date: November 30, 1986

Filing Instructions:  
Preceding FmHA Instruction  
1962-A

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whether the borrower is able to meet these expenses with income from sources other than sales proceeds, such as income from an off-farm job. If these expenses cannot be met in any other way, then the Form FmHA 1962-1 will be completed to show planned releases of sale of security to meet these expenses. Releases for payment of capital expenses will not be planned unless absolutely necessary to preserve the government's security interest. If the borrower responds to the Form FmHA 1924-25 by asking for a rescheduling, deferral, etc., and FmHA is able to take some servicing action, the Form FmHA 1962-1 which was completed in accordance with this paragraph should then be revised to reflect the fact that FmHA will be continuing with the borrower.

If a borrower plans to make a change in the farming operation or plans to make sales which were not planned on Form FmHA 1962-1, the borrower will immediately notify the County Supervisor and the County Supervisor will revise Form FmHA 1962-1, if the planned income will be reduced or if the source of income is different than what was originally agreed on. If the borrower intends to quit farming, a revision to the Form FmHA 1962-1 will be revised to show this. See paragraph 1924.57(d)(2) of FmHA Instruction 1924-B and paragraph 1962.17(b)(5) of FmHA Instruction 1962-A.

If the County Supervisor and borrower cannot agree on a plan for the release of proceeds, the District Director will complete Form FmHA 1962-1 and the District Director's decision is not appealable. See paragraph 1924.57(b)(3) of FmHA Instruction 1924-B.



VANCE L. CLARK  
Administrator